

**CONFORMED COPY**

**GEF TRUST FUND GRANT NUMBER TF051287**

# **Global Environment Facility Trust Fund Grant Agreement**

**(Enabling Activity for the Second National Communication of the Argentine  
Republic to the Convention on Climate Change Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**and**

**FUNDACION BARILOCHE**

**Dated January 27, 2004**

**GEF TRUST FUND GRANT NUMBER TF051287**

**GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated January 27, 2004, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF and FUNDACION BARILOCHE (the Recipient).

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2; and

(E) the Argentine Republic, through the letter to the Bank dated October 10, 2002 from its Minister of Foreign Relations, International Trade and Worship, has requested that the grant provided for in Article II of this Agreement (the Grant) be made to the Recipient; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans of the Bank, dated May 30, 1995 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Section 2.01, (1), (2), (3), (4), (5), (6), (7), (8), (14), (15), (16) (18) and (21), and Sections 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Sections 4.01 (except the proviso therein) and 4.06;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a)(i), (c), (e), (g), (h), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Section 10.01 and Section 10.03;
  - (x) Article XI; and
  - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:

- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 5.01 (a) and 6.02 (f) thereof, means the Bank acting as an implementing agency of the GEF;
- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient, except in Section 8.01 (b) where the term “Borrower” shall mean the Argentine Republic;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the Grant Account, the account opened by the Bank on its books in the name of the Recipient to which the amount of the Grant is credited; and
- (vi) a new subparagraph (q) is added to Section 6.02 of the General Conditions, as follows: “(q) an extraordinary situation shall have arisen in which any further disbursement under the Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Financial Monitoring Report” and “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(b) “Kyoto Protocol” means the protocol within the framework of the UNFCCC (as hereinafter defined), adopted by several world’s governments on Kyoto, Japan on December 11, 1997, for the purposes of achieving the stabilization of atmospheric greenhouse gas concentrations at levels that would prevent dangerous anthropogenic (human-induced) interference;

(c) “Operational Manual” means the manual referred to in Section 3.03 (a) of this Agreement;

(d) “PIU” means the unit referred to in Section 3.04 of this Agreement;

(e) “Second National Communication to UNFCCC” means the communication to be submitted by the Argentine Republic pursuant to Section 12.1 of the UNFCC (as hereinafter defined);

(f) “Special Account” means the account referred to in 2.02 (b) of this Agreement;

(g) “Steering Committee” means the committee to be created through an Administrative Decision of the Argentine Republic’s Chief Cabinet of Ministers, and composed of representatives from: (i) the Argentine Republic’s Ministry of Foreign Relations, International Trade and Worship; (ii) Argentine Republic’s Secretariat of Environment and Sustainable Development; (iii) Argentine Republic’s Secretariat of Science and Technology and Productive Innovation; (iv) Argentine Republic’s Secretariat of Energy; (v) Argentine Republic’s Secretariat of Industry, Commerce and Small and Medium Enterprise; (vi) Argentine Republic’s Secretariat of Transport; (vii) Argentine Republic’s Secretariat of Agriculture, Livestock, Fisheries and Nutrition; (viii) Argentine Republic’s Undersecretariat of Water Resources; and (ix) academia and the private sector in Argentina; and

(h) “UNFCCC” means the United Nations Framework Convention on Climate Change, adopted in New York on May 9, 1992.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount in various currencies equivalent to one million one hundred forty thousand Dollars (\$1,140,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions

satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2006 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project in close consultation with the Steering Committee, with due diligence and efficiency and in conformity with appropriate administrative, financial, ecological and environmental standards and practices and with due regard to the mandates of UNFCCC and the Kyoto Protocol and the relevant decisions adopted by UNFCCC, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) Without limitation to the provisions of Section 3.01 above, the Recipient shall carry out the Project in accordance with a manual (the Operational Manual), satisfactory to the Bank, containing detailed procedures for the implementation of the Project.

(b) Except as the Bank shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

Section 3.04. The Recipient shall maintain, during the execution of the Project, a unit (the PIU) responsible for Project coordination and management, such unit to have a structure and functions satisfactory to the Bank, and to have qualified staff in adequate numbers as required to carry out its responsibilities, including a coordinator, two specialists with expertise in mitigation and vulnerability issues, a procurement officer and a technical assistant, all with qualifications, experience and terms of reference satisfactory to the Bank.

Section 3.05. Without limitation to the provisions of Section 3.01 above, the Recipient, not later than March 30, 2005 shall have carried out, using its own personnel and on the basis of guidelines acceptable to the Bank and in accordance with the terms set forth in the Operational Manual, the activities described in Part A of the Project.

Section 3.06. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a proposal designed to ensure the sustainability of the institutional capacities developed during Project implementation; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

#### **ARTICLE IV**

##### **Financial Conditions**

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) The Recipient shall prepare and furnish to the Bank a Financial Monitoring Report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and



- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent semester, and shall cover such semester.

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) The Argentine Republic shall have taken any action that may result in the dissolution or disestablishment of the Steering Committee, or for the suspension of its operations.

(b) The Argentine Republic shall have taken any action, including the enactment or issuance of legislation or regulations, which, in the opinion of the Bank, after consultation with the Argentine Government, may adversely affect the carrying out of the Project activities under the responsibility of the Recipient or the performance by the Recipient of any of its obligations under this Agreement.

## **ARTICLE VI**

### **Arbitration**

Section 6.01. Any dispute arising out of or relating to this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force on the date of this Agreement. The place of arbitration shall be Washington, D.C., United States of America. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.

## **ARTICLE VII**

### **Termination**

Section 7.01. The date April 26, 2004 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

## **ARTICLE VIII**

### **Representative of the Recipient; Addresses**

Section 8.01. The Vice-President of the Recipient and any person or persons whom he or she shall designate in writing, is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Fundación Bariloche  
Piedras 482, 2H 1070  
Buenos Aires,  
Argentina

Telephone:

(5411) 43311816

Fax:

(5411) 43344717

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Buenos Aires, Argentine Republic, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an implementing agency of the Global Environment Facility

By/s/ Axel van Trotsenburg

Authorized Representative

FUNDACIÓN BARILOCHE

By/s/ Daniel Bouille

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in USD Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	10,000	100%
(2) Consultants' services and audits	853,000	100%
(3) Amount charged by the Recipient to carry out Part A of the Project	238,000	100%
(4) Operating Costs	<u>39,000</u>	100%
TOTAL	<u>1,140,000</u>	

2. For the purposes of this Schedule the term "Operating Costs" includes reasonable expenditures incurred by the Recipient for the management of the Project, such as travel costs, rentals, advertisement, maintenance of facilities, consumable materials and supplies, and utilities, which would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for services under contracts costing less than \$60,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Recipient in the preparation of the Argentine Republic's Second National Communication to UNFCCC, through: (i) the upgrade of the Argentina's greenhouse gas inventories; (ii) the assessment of the vulnerability to climate change and human action in the Argentine Republic's territory; (iii) the preparation of a national mitigation plan; (iv) the promotion of public awareness; and (v) the drafting of the Second National Communication to UNFCCC.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives.

#### Part A: National Greenhouse Gas Inventories

Carrying out of an upgrade of the Argentine Republic's national inventory of greenhouse gas emissions, including: (i) the development and update of the greenhouse gas emissions inventory; (ii) a comparative analysis of emission trends; (iii) the development of local emission factors; and (iv) development of proposals for harmonizing of national energy balances with greenhouse gas emissions inventories

#### Part B: Vulnerability Assessment and Institutional Strengthening for Adaptation

Carrying out of a study to assess: (i) the vulnerability to climate change and human action of the coastline of the *Rio de la Plata*, northwest of the *Bahía de Samborombón* and also in the *Greater Buenos Aires* area; (ii) the impact of climate change on water resources in the *Pampa Bonaerense* region, as well as the effects on the productivity and vulnerability of agriculture production in said area; (iii) the impact of climate change and higher precipitation rates on the major rivers located in the *Litoral-Mesopotamia* area, including the proposal of mitigation and adaptation strategies; (iv) the vulnerability to climate change of the *Patagonia* region; (v) the overall socio-economic impacts of climate change in the Argentine Republic; (vi) the vulnerability of the energy system and energy infrastructure; (vii) the necessary steps for the development of preliminary national and regional adaptation plans; and (viii) the estimates of regional climate change scenarios through Regional Climate Models.

Part C: Preparation and Formulation of a National Mitigation Plan

Preparation of a national mitigation plan with the purposes of identifying: (i) measures for the reduction of greenhouse emissions, specially in the transport sector; (ii) measures for the promotion of energy efficiency, energy savings and renewable energy sources; (iii) programs aimed at promoting carbon sequestration and substitution programs; and (iv) programs for the reduction of enteric methane emissions.

Part D: Promotion of Public Awareness

Design and implementation of a pilot plan for public awareness education of government officials and members of the community interested in climate change issues, through: the development of: (i) a training program on climate change; and (ii) a promotional campaign to disseminate information on climate change.

Part E: Drafting of the Second National Communication to UNFCCC

Preparation of the Second National Communication to UNFCCC on behalf of the Argentine Republic, and compilation of additional related information.

Part F: Project Management

Provision of the technical assistance, training and purchase of the necessary equipment for the strengthening of the PIU, including carrying out of external audits as set forth in Section 4.01 of this Agreement.

\* \* \*

The Project is expected to be completed by March 31, 2006.

### **SCHEDULE 3**

#### **Procurement and Consultants' Services**

##### Section I. Procurement of Goods

###### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: Procurement Procedures

###### Shopping

Goods shall be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

###### Part C: Review by the Bank of Procurement Decisions

###### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank (and updated by the Recipient annually during Project implementation) for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

###### 2. Prior Review

With respect to each contract awarded under Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.



Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, and the following provisions of this Section.

2. The short list of consultants to be selected in accordance with this Section II for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, the services of consulting firms' shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services under Parts B (v), B (vii), C (iii), C (iv), D (iv) and E of the Project, may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Auditing services, estimated to cost less than \$60,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraph 3.1 and 3.6 of the Consultants Guidelines.

3. Selection Under a Fixed Budget

Services estimated to cost less than \$60,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

4. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$60,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

5. Single Source Selection

Services under Part B (viii) of the Project which are estimated to cost less than the equivalent of \$38,000, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

6. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not to exceed \$150,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval, prior to the issuance to consultants of any request for proposals. Such plan shall be updated every six months during the execution of the Project and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan as updated from time to time.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants, the report on the comparison of the qualifications and experience of candidates and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

## **SCHEDULE 4**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (4), set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$100,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
    - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the

Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts

remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.